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Fox Corporation

FOX FY2027 Q1 Earnings Call

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CORPORATE SPEAKERS:

Gabrielle Brown
Fox Corporation; Chief Investor Relations Officer
Lachlan Murdoch
Fox Corporation; Executive Chair and Chief Executive Officer
Steven Tomsic
Fox Corporation; Chief Financial Officer

PARTICIPANTS:

David Karnovsky
JP Morgan; Analyst
Jessica Reif Ehrlich
Bank of America Securities; Analyst
John Hodulik
UBS; Analyst
Michael Morris
Guggenheim Securities; Analyst
Michael Ng
Goldman Sachs Group, Inc.; Managing Director

PRESENTATION:

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Fox Corporation First Quarter Fiscal Year 2027 Earnings Conference Call.

(Operator Instructions)

As a reminder, this conference is being recorded.

I'll now turn the conference over to Chief Investor Relations Officer, Ms. Gabrielle Brown. Please go ahead, Ms. Brown.

Gabrielle Brown: Thank you, Pauly. Good morning and welcome to our Fiscal 2027 First Quarter Earnings Call.

Joining me on the call today are Lachlan Murdoch, Executive Chair and Chief Executive Officer; John Nallen, President and Chief Operating Officer; and Steve Tomsic, our Chief Financial Officer.

First, Lachlan and Steve will give some prepared remarks on the most recent quarter, and then we'll take questions from the investment community.

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Please note that this call may include forward-looking statements regarding Fox Corporation's financial performance and operating results. These statements are based on management's current expectations, and actual results could differ from what is stated as a result of certain factors identified on today's call and in the company's SEC filings.

Additionally, this call will include certain non-GAAP financial measures including adjusted EPS and adjusted EBITDA, or EBITDA as we refer to it on this call. Reconciliations of non-GAAP financial measures are included in our earnings release and our SEC filings which are available in the Investor Relations section of our website.

We also refer to free cash flow which we define as net cash provided by operating activities, less capital expenditures.

And with that, I'm pleased to turn the call over to Lachlan.

Lachlan Murdoch: Thank you, Gaby, and thank you all for joining us this morning to discuss our Fiscal First Quarter Earnings. Good morning to you all.

Fiscal 2027 is off to an outstanding start. We posted revenue growth of 22% to reach $4.6 billion and EBITDA growth of 54% to reach $1.6 billion. Both are first-quarter records – both a direct result of the focused strategy that we are executing on and both reflective of the strength of our content and brands which are driving consistently exceptional results.

Advertising revenue rose 47% in the first quarter, driven by our successful broadcast of the FIFA Men's *World Cup* and healthy trends across the FOX portfolio which continue into this current quarter. Distribution revenue rose 9%, with cable distribution up 10% on increased rates and the strength of FOX One along with a meaningful improvement in industry subscriber trends. In fact, when including the incremental subscribers from FOX One, we saw positive subscriber growth for the trailing twelve months.

FOX One launched just over a year ago and has consistently exceeded our expectations for users and engagement. We are encouraged by FOX One's trajectory and are confident in its potential to drive incremental growth in the quarters ahead. Notably, related to FOX One's momentum:

- In the month of September, subscriber acquisitions increased over 30% vs the start of last year's football season.
- And we have seen a very healthy engagement balance by subscribers between news and sports consumption.

Sports, as expected, drove a considerable amount of engagement across the entire FOX platform this past quarter. We began the quarter with a historic broadcast of the FIFA Men's *World Cup* Final; the most watched soccer telecast in US history.

This was followed by the start of the Major League Baseball post season and of course the opening weekends of the National Football League and college football seasons.

We just wrapped an exciting World Series between the Milwaukee Brewers and the Tampa Bay Rays, a five-game series that averaged 12 million viewers and capped an MLB playoff that exceeded our expectations.

Per game revenue was robust, which is illustrative of the strength of the sports market.
Looking at the NFL season to date, FOX's *America's Game of the Week* is the #1 show in all of television with an average of nearly 25 million viewers.

With plenty of football still to come, we look forward to an NFL triple header on FOX in Week 15, a strong Thanksgiving holiday weekend that will feature one of college football's biggest rivalries, Michigan vs. Ohio State, and a blockbuster NFL matchup between the Eagles and Cowboys on Thanksgiving Day.

The NFL Thanksgiving Day game will also stream live on Tubi, which posted another record quarter. Tubi grew revenue 35% year on year underpinned by a 23% increase in Total View Time. Engagement was driven by Tubi's deep content offering, including its tremendous library, its *World Cup* hub, 10 new originals, and viral content from more than 600 creators.

Fundamental momentum at Tubi continues into the second quarter supplemented by the recognition of political campaigns of Tubi's large, mostly cordless audience as an ideal destination to invest for this year's midterm cycle on a targeted basis.

More broadly across our businesses, political advertising has surpassed $350 million, a RECORD for a midterm cycle. This encapsulates the full FOX portfolio working together, at scale, during one of the biggest news events of the year.

As you would expect, audiences have turned to FOX for our comprehensive coverage of this election cycle, with National coverage led by the FOX News team while our broadcast stations provide essential local perspective, particularly in many battleground states.

Heading into tomorrow's vote, more Americans have relied on FOX News than any other news network for coverage of the key issues and news this cycle. While we had difficult ratings comparisons to last year, FOX News notably finished the quarter as the most watched cable news network while maintaining audience share levels that are higher than our peers in both Prime and Total day.

These first quarter results underscore the position of financial strength we are approaching the Roku transaction from. Since the announcement of the Roku acquisition, our confidence in the strategy and our conviction in the opportunity has only grown.

Combining Roku's leading streaming platform with our premium sports, news, and entertainment content will build our position in the fastest-growing segments of the media landscape and will deliver both sustained growth for the company and value for our shareholders.

From a process standpoint, we have made significant progress towards closing, including receiving all required FOX and Roku shareholder approvals and foreign regulatory approvals. We are continuing to work cooperatively with the DOJ in order to obtain HSR clearance and expect to close the transaction as soon as we can.

After a record fiscal year 2026 and first quarter 2027, fiscal 2027 will once again demonstrate our differentiated strategy, the quality of our assets, our ability to deliver both on screen and financially, and the strength of our balance sheet…all while creating value for our shareholders in a deliberate and disciplined manner.

I'll now turn it over to Steve to discuss the financials.

Steven Tomsic: Thanks, Lachlan. And good morning, everyone.

The strong momentum we saw throughout our fiscal 2026 has continued unabated into the first quarter of fiscal 2027, highlighted by total revenue growth of 22% and record quarterly EBITDA of $1.64 billion.

Advertising revenue across the company grew 47%, led by our broadcast of the 2026 FIFA Men's World Cup, along with higher political advertising revenue and continued growth at Tubi.

Distribution revenue grew 9% over the prior year, with growth at both our Cable and Television segments.

Content and other revenues were broadly in line with prior year with lower entertainment content revenue partially offset by higher sports sublicensing revenue.

Total expenses increased 10% led by costs associated with the World Cup and higher digital content costs.

Net income attributable to stockholders was $943 million or $2.20 per share as compared to the $599 million or $1.32 per share reported in the prior year period.

Excluding non-core items, adjusted net income was $1.09 billion and adjusted EPS was $2.54, up 68% compared to the $1.51 recorded in the prior year period.

Now turning to our operating segments.

Starting with the Cable segment, which reported an 8% increase in revenue, and a 7% increase in EBITDA.

Cable advertising revenue was up 8%, primarily a result of higher sports advertising revenue including the broadcast of the World Cup, partially offset by lower digital news advertising revenue.

Cable distribution revenue grew 10% driven by pricing growth from our affiliate renewals and a net increase in subscribers. The subscriber growth reflects the combined benefit of an improving rate of subscriber declines across our third-party distributors, which is now running at below 6%, coupled with a meaningful positive contribution from FOX One.

Cable content and other revenue increased 1% driven by higher sports sublicensing revenue.

Expenses at the Cable segment increased 10% due to higher sports programming rights and production costs including the World Cup, and higher news programming costs.

Now turning now to our Television segment, which delivered 32% growth in revenue and a 134% increase in EBITDA.

Television advertising revenue was up 60%, driven by the *World Cup* and early midterm political advertising revenue primarily at our owned and operated television stations. Tubi was once again a highlight delivering mid-30% revenue growth and growing its year-on-year EBITDA contribution.

Television distribution revenue grew 4% driven by healthy growth in fees across FOX owned and operated stations and a net increase in subscribers.

Television content and other revenue fell 4% as a result of lower content revenues tied to our Entertainment production studios.

Expenses at the Television segment increased 8% due to higher sports programming rights amortization and production costs led by our broadcast of the *World Cup* along with higher content costs at Tubi. These were partially offset by lower NFL costs associated with the timing of games.

Now turning to Cash Flow.

Free Cash Flow was positive $503 million in the quarter. As a reminder, the strong improvement in quarterly free cash flow was in large part due to the timing of working capital related to the *World Cup*, where rights payments for the tournament landed in fiscal 2026, while advertising receivables continue to be collected through the first half of fiscal 2027.

In terms of capital allocation, while we were temporarily inactive with our buyback program in the quarter, we continue to expect full-year share repurchases to be in line with our historical range and anticipate returning to share repurchases this quarter.

This is all supported by the strength of our balance sheet – where we ended the quarter with approximately $4.5 billion in cash and $6.6 billion in debt.

With that, I'll turn the call back to Gaby.

Gabrielle Brown: Great. Thanks, Steve. And now we would be happy to take questions from the investment community. Please note that as with our prior earnings call, we do not anticipate taking questions about FOX's pending Roku transaction, we have filed materials with the SEC that provide information about the transaction. And for today, we would ask that questions focus on FOX's standalone results.

Operator: We have a question from Michael Ng of Goldman Sachs. Please go ahead.

Michael Ng: Hi, good morning. Thank you for the question. I wanted to ask about FOX One and the impact on distribution revenues. Very encouraging to hear about the net positive subscriber growth in the trailing 12 months. What does that tell you and inform how you think about long-term distribution revenue growth? And if you could talk a little bit about the biggest opportunities for FOX One gross adds, especially as we head into the NFL season more firmly, that would be helpful. Thank you.

Lachlan Murdoch: Thanks, Mike. So, look, I think that in summary, FOX One has hit it out-of-the park.

It's executing on the strategy we lay out for it extraordinarily well. The most pleasing aspect of this is the fact that the subscribers are almost entirely incremental to our subscriber base, which is why we can offset or we have been able to offset in this quarter traditional subscriber declines with FOX One additions.

I think it's something like 97% of new subscribers into FOX One – subscribers under FOX One, 97% do not have a cable subscription. That's a tremendous result. And frankly, when we did our strategy and our budgets for FOX One, I didn't believe that we'd be able to achieve that. But it's really the result of being very focused, being very careful in our marketing and understanding that a subscriber from the pay-TV system into FOX One doesn't do us any favors. And so, we've been, I think, remarkably focused on achieving that result and the team has done a tremendous job.

Having said that, as you move forward, the FOX One subscriber base is going to be somewhat seasonal with sports seasons coming and going. So, I would just sort of press a sort of modest note of caution that you know, as we move forward, is FOX One always going to be able to supplant some of the subscriber losses in the traditional ecosystem? Probably not as seasons sports seasons come and go. So, I'll just add that one small note of caution.

Operator: We have a question from John Hodulik of UBS. Please go ahead.

John Hodulik: Great. Thanks and good morning, everyone. Maybe just a couple of quick questions on the advertising side.

First of all, can you give us an update on your efforts to sort of close the CPMs on the broadcast side or on news with what you're seeing in the broadcast market? And then you guys seem to have bucked the trend with Tubi in terms of revenue growth, given what we've seen from YouTube and Netflix. Any comments locked on what you're seeing in terms of the health of the CTV ad market? Thanks.

Lachlan Murdoch: Great. Good morning, John. So overall, advertising trends for us and I can't talk to the market, but are incredibly healthy really across our portfolio.

It's always a point in time every couple of years, you've got to be careful to understand the strength of the political cycle. This has clearly been a dramatically positive sort of political revenue cycle across the board and we're the beneficiary of a lot of that.

I think I mentioned it before, but it's now over $350 million in political revenue throughout the cycle. That breaks down into sort of $250 million-plus on the local stations. What tends to happen in local stations, you run out of availability so that pushes some of the base market aside in the during that cycle, but it's an incredibly positive number.

We then have about $50 million of Tubi revenue throughout the cycle, which is you can allocate that as sort of as effectively local revenue because it is targeted.

And this is another fantastic number - $50 million-plus of national political advertising revenue that sits across sports and news and entertainment. So that's tremendously strong as in terms of CPMs bridging the gap between FOX News and broadcast, we still have a tremendous amount of upside and room to go.

As you know, the strength of FOX News, we do compete more with broadcast networks as opposed to our cable news peers, you can't really call them peers, but our cable news competitors. And we have tremendous upside in terms of continuing to push our CPMs into the broadcast CPM range.

And then on Tubi, our revenue growth, as we said before on calls, the Tubi business really driven by TVT growth continues to be very strong. That's for a number of reasons that you well know. It's based around the fact that such a large percentage of them, well, they're young, they're diverse and the majority of them are cordless.

They're a very hard market for advertisers to reach and which is one of the reasons why Tubi has been so successful in garnering that advertising revenue. The pleasing thing is that we're seeing this growth continue into the current quarter. And so Tubi continues to go from strength-to-strength.

Operator: We have a question from Michael Morris of Guggenheim. Please go ahead.

Michael Morris: Thank you. Good morning, guys. I wanted to ask Nielsen has reported some ratings declines at FOX News ahead of the midterm elections. I'm hoping that you can share your thoughts on why this may be the case, what it means for the ad revenue trend as well as any strategic or content

changes you might consider or make going forward. Is the FOX One viewing, is that accurately included in the Nielsen ratings as well?

And if I could just ask one second one on bundling of FOX One. John recently said the bundles had only had a modest impact from FOX – for FOX. I'm wondering why these bundles haven't been impactful and what you might need to see to strike a deeper distribution agreement with a large streaming platform?

Lachlan Murdoch: Thanks, Michael. So let me start with the FOX One ratings.

So again, we finished the year and congratulate everyone – sorry, not FOX One, FOX News. Sorry, I misspoke – FOX News, our ratings we finished the year incredibly strong, number one with more share than our two cable competitors combined. So, the business is in incredibly good shape and we're very proud of the team.

What we are seeing though is some viewer fatigue where our viewers have gone through some incredible news cycle the last years. I think last year was a record, really hard comps for us to comp against with the inauguration, the Charlie Kirk tragedy, DOGE, I think the flooding. It was a tremendous news cycle this time last year, which we're comping against.

But having said that, we are seeing some viewer fatigue, which we've seen before. This cycle is analogous not entirely but somewhat analogous to the 2006 midterms when you have a second term president going into their midterms halfway through the second term and you just see this viewer fatigue. Those viewers are not going to any other news channel. They're not switching to MSNOW or to CNN.

They're just fatigued and watching slightly less television overall. So, we feel pretty confident where we are and we've seen the playbook and we know how to move through it.

FOX One bundling, you know, FOX One will bundle with all sorts of distributors and platforms and other content providers. You know it's in its infancy of FOX One and so you'll see we'll roll out further bundles as the as the service develops.

Operator: We have a question from Jessica Reif Ehrlich of Bank of America. Please go ahead.

Jessica Reif Ehrlich: Thank you. Good morning, everyone. Two quick questions. First on Tubi, I remember I don't know if it was a year or two ago, but Tubi reached like mid-teens growth, you said something like I don't think it's sustainable or don't expect it to be sustainable. Now we're at 30% plus revenue growth and I think you just said that's continuing in the current quarter. What can you say about like the margin outlook for Tubi on anything, where it is now, where you think it can go?

And then I think Steve just said that buybacks will resume in the current quarter. Does that…what does that say about the timing of the… does that say something about the timing of the Roku close? Did you say it was on hold until it closes?

Lachlan Murdoch: Hey, Jessica. Good morning. So, thank you for proving me wrong on Tubi. I don't remember saying that, but I'm sure I did if you said it. And look, it's been doing tremendously well.

Our TVT continues to grow. Obviously, a ton of work has gone into that and as I said, we're seeing that growth continue into this current quarter. But thank you for calling me out on that one.

And margins, we think we've said many times before, we think it will be a 20% sort of range margin business once it reaches further maturity.

Steve Tomsic: Yeah, and to reinforce that point, Jessica, Tubi had a nice amount of EBITDA growth this quarter versus last continuing on that well and truly positive EBITDA momentum.

On the buyback, you shouldn't draw that linkage between us restarting the buyback and our expected timing for the transaction to close. They're two separate decisions.

Gabrielle Brown: We have time for one more question.

Operator: We have a final question David Karnovsky of JPMorgan. Please go ahead.

David Karnovsky: Hey, thank you. Maybe just following-up on the advertising questions, the release called out lower year-over-year ad revenue for cable digital news. I just wanted to see if you could unpack that a bit, how your platforms are operating amid a kind of difficult web traffic environment generally?

And then just separately, given the success of the *World Cup* on FOX, right. How are you thinking about rights for the 2030 cycle where I think FIFA is looking to sell English and Spanish-language on a combined package? Thank you.

Lachlan Murdoch: Thanks, David, and welcome.

On sort of digital, you have to be aware, FOX News Digital is the number one digital new site in America. And from a revenue perspective, I think it's a hyper-competitive market and we're very pleased with the results there.

On the *World Cup*, I think the question was just will we be bidding for World Cup rights? We were obviously happy with the performance of the *World Cup* this past year and we'll be looking at the rights for 2030 and 2034 in a disciplined manner as we would with all sports rights.

Gabrielle Brown: At this point, we are out of time. But if you have any further questions, please give me or Charlie Costanzo, a call. Thanks so much for joining us today.

Operator: Ladies and gentlemen, that does conclude the Fox Corporation First Quarter Fiscal Year 2027 Earnings Conference Call. Thank you.